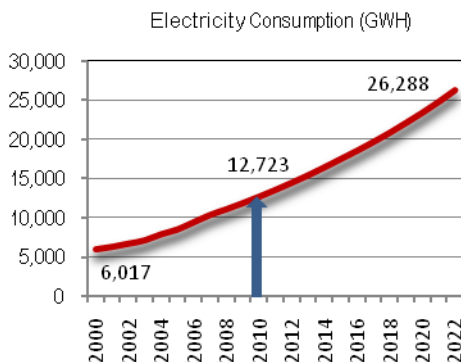




Energy Sector PROJECT PROFILE

April 2012



Electricity consumption has been rising steadily in Jordan, with consumption doubling every ten years.

Energy Efficiency Incentives Mechanism for Jordan

BACKGROUND

Electricity demand in Jordan is projected to rise at the rate of 6.3% between 2010 and 2020 in response to economic growth, population growth and rising standards of living. The cost associated with meeting future demands threatens the electricity sector's ability to provide customers across Jordan with a stable supply of electricity at affordable prices. Electricity power outages experienced during the summer of 2010 predicted the challenges that Jordan will continue to face. Previous analysis had identified disincentives for Jordan's private electricity distribution companies to invest in energy efficiency on the demand side. In late 2009, USAID's technical assistance provider worked closely with the Electricity Regulatory Commission to assess the economic and institutional viability of adopting an incentive mechanism to stimulate investments in demand-side efficiency.

The objective of the proposed Energy Efficiency Incentives Mechanism is to promote the use of energy efficiency as a resource option to meet Jordan's growing electricity demands. Energy efficiency measures are designed to reduce the amount of energy that customers consume, and consequently reduce or postpone the amount of capital needed to invest in producing, importing and delivering it to them. Lower investment requirements will allow utilities to deliver electricity services to consumers at acceptable prices. The proposed incentive mechanism supports the Government of Jordan's 2007 National Energy Strategy, which stipulates reducing national electricity consumption significantly by the year 2015.

ACTIVITIES

- Reviewing Jordan's costs of providing electricity generation, transmission and distribution services to consumers at different voltage levels
- Evaluating the technical and achievable market potential for energy efficiency activities in the different consuming sectors
- Assessing the technical and economic impacts of implementing a long-term energy efficiency program in Jordan
- Conducting cost/benefit impacts on all stakeholders, including a detailed analysis of the impacts on electricity tariffs
- Discussing the concept of the incentives mechanism with relevant stakeholder organizations to assess their willingness and readiness to adopt the incentives mechanism

PROJECT SNAPSHOT

Implemented by: Nexant, Inc.

Duration: 2009 – 2010

Total Funding: \$218,830

Beneficiaries: Electricity Regulatory Commission and electric utilities

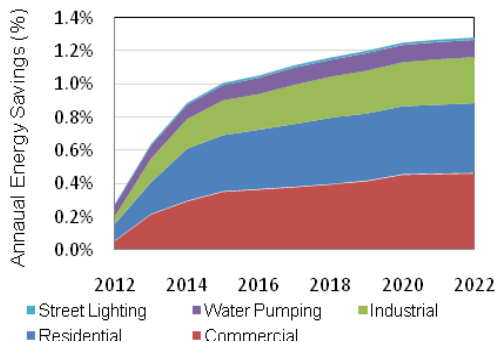
Geographic Coverage: Nationwide



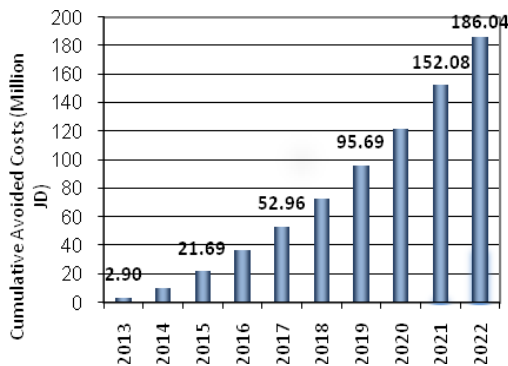
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FROM THE AMERICAN PEOPLE

Energy Efficiency Achievable Potential



Energy efficiency activities are estimated to lower annual consumption by an average of 1% per year for ten years.



Long-term avoided costs associated with reducing annual energy consumption by 1% leads to JD 186 million cumulatively in ten years.

CONTACT:

Office of Program Management
USAID, c/o American Embassy
P.O. Box 354
Amman 11118, Jordan
Tel: 962-6-590-6000
jordan.usaid.gov

- Identifying areas of challenges requiring attention and assessing the capacity-building needs in order for the mechanism to be implemented successfully
- Assessing the economic impacts on electric utilities if the target market potential for efficiency is achieved
- Preparing policy position materials addressing key social and political issues to allow senior government officials to obtain executive approval to adopt the incentive mechanism

PROGRESS & ACHIEVEMENTS

- Developed a report titled *“Discussion Paper on the Economic Viability of Energy Efficiency Regulatory Incentives”* and shared it with electricity sector stakeholders in April 2009
- Helped build consensus among all relevant stakeholder organizations that the proposed incentives mechanism could provide major benefits to Jordan’s electricity sector
- Assessed the market potential for energy efficiency activities in key consuming sectors through 2022
- Facilitated gaining political will at the highest level within the electricity sector
- Developed a final policy position paper titled *“Proposed Energy Efficiency Incentives for Jordan’s Electricity Sector”* for use in senior government discussions

PARTNERS

- Nexant, Inc.
- Ministry of Energy and Mineral Resources
- Electricity Regulatory Commission
- National Electric Power Company
- Jordan Electric Power Company
- Electricity Distribution Company
- Irbid District Electric Company